



METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: MTC Administration Committee

DATE: May 6, 2009

FR: Deputy Executive Director, Operations

W. I. 1152

RE: Draft MTC FY 2009-10 Operating Budget

The draft agency budget for FY2009-10 is balanced as presented. However, the combination of declining revenue, funding the Other Post Employment Benefits (OPEB) liability and significant litigation expenses are expected to draw our unrestricted reserve down to \$3.7 million, its lowest level since 2003.

Revenue

Not surprisingly, the current economic situation has a significant impact on projected revenue as shown below. Sales tax revenue from TDA is expected to be down while the State has shifted all of the discretionary State Transit Assistance (STA) funds to the State. Finally, the unprecedented low interest rate level established by the Federal Reserve has our earnings rate below 0.50%.

	<u>2007</u> <u>Actual</u>	<u>2008</u> <u>Actual</u>	<u>2009</u> <u>Estimate</u>	<u>2010</u> <u>Budget</u>
TDA	\$ 10,626,162	\$ 10,799,418	\$ 10,200,000	\$ 9,840,000
STA	12,172,367	11,719,490	9,298,452	934,184
(Population-Based)				
Interest	<u>1,352,414</u>	<u>790,306</u>	<u>400,000</u>	<u>250,000</u>
	<u>\$ 24,150,943</u>	<u>\$ 23,309,214</u>	<u>\$ 19,898,452</u>	<u>\$ 11,024,184</u>

In addition, the 1% BATA transfer is down over \$560,000 over the last five years. The STA loss significantly impacts our ability to cover project staff. Given the current economic environment, the general fund revenue levels should rebuild slowly as the economy recovers.

Operating Expenses

As proposed, operating expenses, excluding contractual services, are down 9% although this is somewhat misleading, given the changes in project-funded staff to meet our reduced general fund revenue level. The draft budget assumes:

- No change in total staffing – 166 fulltime; 4 project based
- Transfer of salaries and benefits for eight employees from general funding to project funding
- Pension costs down 0.04%
- Medical costs up 6.0%
- OPEB (Retirement medical) \$600,000

Excluding the OPEB, total salary and benefits will decrease by approximately \$570,000. The balance of non-contract spending, including printing, travel and general operations, is down approximately 4.4%.

The most significant change in the budget is the shift of the equivalent of eight project- based staff from general funding to project funding in the following areas: TransLink® and the Urban Partnership Program. While these costs have been eligible for grant funding, as a general rule, MTC has paid the staffing costs related to managing grant funded projects out of general operating revenue. However, given the significant continuing reduction in agency general revenues, and most recently the legislative diversion of population-based STA funds, MTC no longer has the resources to cover these project expenses from general resources. The shift relieves approximately \$1.8 million in MTC general fund responsibilities

Capital Projects

The proposed budget for capital projects will be down for FY 2009-10 by 52%. MTC maintains three principal capital projects:

	<u>2009</u>	<u>2010</u>
TransLink®	\$ 3,182,000	\$ 5,622,418
Capital Expenditures	365,000	700,519
Hub Signage	<u>9,655,000</u>	<u>-0-</u>
	<u>\$ 13,202,000</u>	<u>\$ 6,322,937</u>

The TransLink® budget increases are the result of the shift in staffing costs and further development of the program. The HUB signage program (Proposition 1B funds) has been fully encumbered in FY 2008-09 so no additional funding is required in FY 2009-10.

Looking Ahead

As we stated at the outset, the unrestricted reserve is projected to be at \$3.7 million at the end of FY 2009, its lowest level since 2003. While we have some discretion in the designation of funds to be reserved, the unrestricted reserve will be equivalent to only 16 days of operating costs based on the 2010 budget. Given the nature of MTC's operation which depends heavily on reimbursement of upfront payments, the level of the reserve is critical to our operating effectiveness.

The changes proposed in the 2010 budget should stabilize the reserve level, but do little to rebuild it toward the goal of 6 months operating reserve. There are, however, reasons to be optimistic as we look to the future:

- The decline in TDA revenue is temporary and will rebuild slowly as the economy recovers.
- Interest rates are at record low levels and should also adjust as the economy recovers.
- Federal authorization could increase our federal planning funds.
- If a toll increase takes effect as expected in 2010, MTC stands to gain funding from the BATA 1% administration fee.

These factors may be offset by major concerns over health care and pension cost increases. As such, as revenue resources recover we should focus on restoring the operating reserve levels necessary, not only for operating efficiency, but to protect against the next economic downturn. Our current and projected reserve position is shown in the table below.

Description	Actual 2008	Estimated FY 2009	Projected FY 2010
Benefits Reserve	\$ 2,202		
Liability Reserve	746,451	\$ 3,000,000	\$ 3,000,000
Compensated Leave	2,945,186	3,000,000	3,000,000
Encumbrances	7,314,961	5,358,864	5,358,864
Building Reserve		500,000	500,000
Unrestricted	8,252,707	3,702,614	3,718,804
Total Reserves	\$ 19,261,507	\$ 15,561,478	\$ 15,577,668

The draft FY 2009-10 budget is presented this month for information only. We will return in June for your approval.

Ann Flemer

SH/BM/cj

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